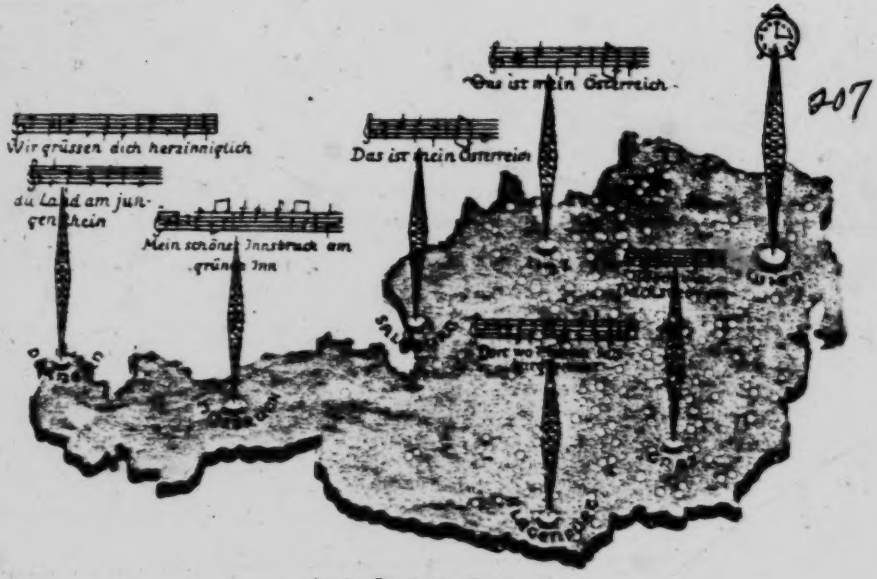


Austrian Broadcasting Centres.

protection of individuals who have lost their work and, of course, contribute the social security of the State.

The annexation of 1938 and the Second World War robbed the Austrian People of its freedom and the fruits of twenty years of painstaking reconstruction.

THE ECONOMIC POSITION AFTER 1945.

Austria's liberation had to be paid for by severe economic sacrifices. Compulsory incorporation into German armament production had been followed by far-reaching changes designed to increase Germany's output of war materials. The necessary investments for renewals and replacements could not be made, while machinery deteriorated more rapidly. Apart from this, Austria had been exposed from 1943 onwards to the effects of bombing, which increased towards the end of the war

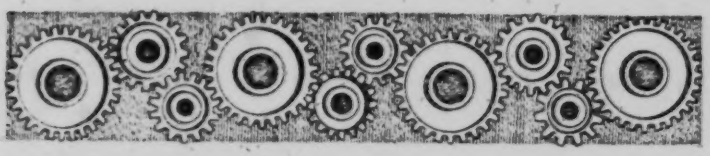
722 until in the final stage the whole country became a battlefield. Thus apart from the considerable consumption of stocks and capital goods owing to war production, there was a great deal of material damage.

727 438 In addition to the losses directly caused by the war, new restrictions arose for Austrian trade at the conclusion of the fighting. The internal trade links of the country had to a great extent been disrupted through the setting up of four zones of occupation. At a time when in view of the tremendous losses it would have been advisable to ensure the full development of all the means of production, the necessary connections between the various parts of the country could often only be established or maintained under the most difficult circumstances. It is perhaps typical of this period that the various provinces entered into barter agreements with foreign countries independently of one another, often in order to get goods which would have been available within the country itself had unhindered trade been possible.

727 During the first days after the liberation a goods vacuum arose. Transport had almost completely broken down owing to the extensive destruction of roads and bridges and the lack of the necessary vehicles. Clearance and repair work was first necessary before trade activity could develop at all, and if the Allied Forces of Occupation and UNRRA (as well as other help granted by Congress, private charity organisations and credits) had not aided in bridging the gap,

the payment of interest on deposits since the beginning of 1949. On the other hand, credit demands on the banks resulting from the economic revival are so numerous that they are hard to meet, however severely they are scrutinised. This is all the more the case since Austrian industry, owing to the extensive damage and losses suffered by it during the last stages of the war and after its end, has a great need of capital and long-term credit for investments, as well as of business credit. In such cases, where genuinely justified demands for credit are concerned, the Marshall Plan will be of assistance. The main idea of this is to permit the technical modernisation of Austria's system of production, thus increasing her ability to compete in the international field, to encourage full exploitation of her natural assets, and to provide the country with a sufficient amount of raw materials essential to production during a certain initial period. It is to be hoped that this measure will assist Austria to attain economic independence and help towards the re-establishment of her position in international commerce.

The Austrian banks have a further duty indispensable to the security of smoothly running finance in the re-establishment of the Vienna Stock Exchange as the proper market for dealing in shares, not only to serve legitimate private interests but also to prove itself a suitable medium for the State issues which must be expected.



CHAPTER II

THE BIRTH OF A NEW REPUBLIC: EARLY DIFFICULTIES

AUSTRIA'S EXHAUSTION AFTER THE GREAT WAR

727 FROM the moment of birth of the new Austrian Republic, on the 12th November, 1918, it was clear that this small country, descendant of the old 50 million Empire, was faced with a colossal task of economic and political readjustment. But this was not all. By 1918 the old Monarchy had ceased, in every sense, to be a "going concern". This rendered the resumption of normal economic life particularly formidable. For in addition to the loss of capital and of human life invariably associated with war, the cumbersome working of the Habsburg bureaucratic machine, the antagonism of the suppressed minorities, and above all the ruthless military and economic exploitation of the half-hearted Austrian war partner by the "efficient" German war machine, had all exhausted the entire economic life of Austria.

•722 It had become clear, as early as 1916, that the Empire was unprepared for a long war on two fronts and unable to cope with the growing difficulties of internal inefficiency and of the blockade. By 1917 the economic and military position was so serious as to prompt the Emperor Karl to explore the prospects of a separate peace. These attempts were however quickly frustrated by the then all-powerful Germans.

722 Shortages now appeared in every field. Owing to the
433 dearth of raw materials, the indiscriminate call-up policy

of the first war years, and the growing anti-war feeling of the population, production fell to utterly inadequate levels. By 1917, the yield of the wheat harvest had fallen to 47 per cent of the 1913 level, rye to 43 per cent, barley to 29 per cent, oats to 25 per cent, potatoes to 51 per cent (in 1916), and sugar beet to 43 per cent.[1] There were similar reductions in the output of practically all agricultural products, with the one notable exception of turnips, whose output increased to 213 per cent over the same period.

There is no reliable index for industrial output as a whole during that period, but figures for certain specific products may serve to illustrate the general trend. Between 1913 and 1917 the production of sugar fell to 43 per cent; of beer, to 7 per cent; of margarine, to 6 per cent. While the output of cast iron rose to 189 per cent and of the number of locomotives built to 170 per cent that of pig iron fell to 64 per cent. In textiles, the production of raw silk fell to 53 per cent and the amount of wool consumed to 20 per cent. Paper production fell to 47 per cent.[1]

In view of this catastrophic fall in production (particularly in essentials) the living conditions of the population deteriorated rapidly. Rations were constantly reduced, and even then they were not always obtainable. Universal malnutrition and actual famine conditions in some areas resulted in a great increase in disease and mortality. Clothing was defective and inadequate. Thousands of families lived in cold, dark rooms in the winter of 1917–18. Nor were the soldiers any better off. Not only was there a serious shortage of munitions: even those who were fighting under the most adverse conditions on the eastern front were short of food and clothing. One soldier might have a jacket but no shirt, the other a shirt but no jacket. Sawdust was added to the flour in order to make rations go

1 [CP. CAT. 116, p. 34 -- ANALYST]

AUSTRIA'S ECONOMIC DEVELOPMENT

722 further. There were cases when soldiers "deserted" from their training barracks to the front line because there rations were at least somewhat larger.

727 When finally peace came to the war-weary country, economic conditions, instead of improving, actually 433 became worse. The economy was now completely disrupted, mainly because the new Austria was suddenly cut off from all normal sources of supply. Austria had habitually had an import surplus with the other parts of the Empire. Now these channels of supply were almost hermetically closed through the newly erected national frontiers. The new countries had their own serious problems of reconstruction and were of course unwilling to export important raw materials except on a strict barter basis. But in those days there was pitiably little that Austria could offer in return.

727 The result was that everything was short—food, coal, raw materials—and many sections of economic life came practically to a standstill. The position of the population became worse; in Vienna, particularly, conditions were desperate. Not only were the usual supplies from Hungary and Bohemia no longer forthcoming; the rural provinces of Austria proper, too, withheld their produce so as to cover their own shortages. Also, war-requisitioning and the lack of industrial goods had made the peasants suspicious and hostile towards the capital. The food situation in Vienna quickly became hopeless. From August to December, 1919, the maximum obtainable per day on the bread and flour ration was 100 to 170 grammes of flour. Milk supplies (which had amounted to 900,000 litres daily before the war) dropped to as little as 30,000 litres. Even infants and invalids had to go short of milk. After more than three years of hard work and malnutrition these shortages could not but have the most damaging effects on